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THE BALDWIN COMPANY
ANNUAL REPORT TO STOCKHOLDERS

Eighty-Seventh Year Ending December 31, 1949



DIRECTORS

Lucien Wulsin
Cincinnati

Philip Wyman
Cincinnati

J. P. Thornton
Cincinnati

Geo. W. Lawrence
Cincinnati

A. J. Schoenberger
Cincinnati

OFFICERS

Lucien Wulsin	President
J. P. Thornton	Vice-President
Philip Wyman	Vice-President
A. J. Schoenberger	Treasurer
R. F. Coghill	Secretary
W. H. Smith	Assistant Treasurer
Irwin Stumborg	Assistant Treasurer
Eugene Wulsin	Assistant Secretary

GENERAL OFFICES

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

SUBSIDIARY COMPANY

The Baldwin Piano Company

To the Stockholders of

The Baldwin Company:

Cincinnati, Ohio, April 3, 1950

Sales for the year 1949 amounted to \$14,156,602.17.

After provision for regular depreciation charges amounting to \$162,096.92, provision for Federal income taxes amounting to \$576,000.00, and provision for certain reserves detailed below, totaling \$300,000.00, the net profit for the year 1949 was \$473,464.14.

Consolidated Balance Sheets as of December 31, 1949 and 1948 and comparative Statements of Income and Surplus Accounts are appended hereto. On December 31, 1949, Total Current Assets amounted to \$9,461,758.57, and Total Current Liabilities \$1,526,620.70, which is a ratio of 6.2 to one.

The term loan of \$2,600,000.00 obtained from The Prudential Insurance Company of America, which was reported to you in last year's annual letter to stockholders is reflected in the balance sheet of December 31, 1949, and its effect on the Company's financial position is evident on comparison of the balance sheets of this year and last.

During the year 1949, we spent \$265,327.65 for additions and improvements to buildings, machinery, and equipment. Accounts Receivable, before deducting Reserve for Possible Losses, increased \$389,816.77. Inventories, before deducting Reserve for Inventory Fluctuation, decreased \$1,136,572.17.

The work of remodeling and equipping Plant Number Two, planned at the time of its purchase in 1947, has been nearly completed during the past year. The cost of this work has been high due to general increase in building costs. It seemed wise to your Directors to reduce the net value of these buildings on our books to a more conservative valuation. This was accomplished by an addition to the Reserve for Depreciation of \$200,000.00, which was taken from the year's current earnings.

To improve the efficiency of some of the manufacturing departments, it may again become necessary, before very long, to add to our land and buildings. Management and the Directors are giving this matter careful consideration.

Because of the considerable number of pianos which we carry on consignment with our dealers, pursuant to our long established sales plans, it seemed wise and conservative to make no change in the amount of the Inventory Fluctuation Reserve at this time.

During the past several years, in addition to including in the expenses of operation all of the cost of our current research program, each year we have set aside from earnings \$100,000.00 which was credited to a reserve for the cost of future research. The same procedure was followed in 1949. This Research Reserve now totals \$400,000.00, and it is shown as a separate item on the Balance Sheet.

The need for a well directed, broad plan of research which must continue, through bad years as well as good, is increasingly apparent. It is an essential part of our ever-continuing campaign for the maintenance of the high quality of our products and our search for new and related products of manufacture.

Production and sale of pianos, while not up to the rather unusual volume of 1948, have been satisfactory and continue in line with operations of former years and our plans for the future.

Organ production and sales have continued to develop, and we have introduced an additional and more expensive model, designed for larger churches and halls, to meet a need in our electronic organ line. Further development and expansion of the organ is in process. These products, which grew out of work in our research laboratories, are among the tangible results of our studies of electronics in the musical instrument field.

On September 1, 1949, there was put into effect a Retirement Income Plan for our employees. The plan is administered under the terms of a Group Annuity Contract with The Prudential Insurance Company of America. All employees under the age of 65, and who have had 5 years of continuous service with the Company, are eligible to join. This plan, which was subscribed to by 94% of the eligible employees, provides for retirement benefits based both on future service and on past service (service prior to September 1, 1949). For the purpose of determining contributions and benefits under the plan, earnings of each employee up to \$7,500.00 per calendar year are considered.

For future service benefits, the employees and the Company contribute towards the cost of the Retirement Plan, the Company paying the larger part. For the first year of operation, it is estimated that the Company's share of the payment for future service benefits will amount to about \$60,000.00.

For past service benefits, the Company pays the entire cost. The Company is presently paying \$70,651.58 per year towards the purchase of the past service benefits. Based on actuarial assumptions, these payments will complete the purchase of past service benefits in approximately eleven and one-half years.

The combined cost to the Company of future service and past service contributions under the Prudential Plan will approximate \$130,651.00 for the first year of the plan's operation. Although we expect to continue the plan indefinitely, we reserve the right to change or discontinue it if the need should arise. However, change or discontinuance of the plan will not affect any benefits previously purchased.

We have a few employees of many years standing who, on account of age, are not eligible for participation in the Prudential retirement plan described above. For these employees, the Company has established what is called the Baldwin Supplemental Pension Plan. Under the terms of this plan, the Company agrees to pay directly, to any eligible employee, a pension at retirement, based on past service, which will follow the Prudential plan of benefits.

You will note on the Balance Sheet a special reserve for the Baldwin Supplemental Pension Plan amounting to \$31,300.66. This reserve covers anticipated payments, determined by life insurance actuarial tables, to eight employees who have already retired under this special arrangement. The amount credited to this reserve has been charged to current operations. The Company has agreed to pay the entire cost of operating the Baldwin Supplemental Pension Plan.

We are looking forward to operations of the current year on a satisfactory basis.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY *and Subsidiaries*

CONDENSED CONSOLIDATED BALANCE SHEET

As of December 31, 1949

ASSETS	December 31, 1949	December 31, 1948
Cash in Bank and on Hand.....	\$ 2,705,884.35	\$ 374,296.98
United States Government Obligations.....	504,400.00	0.00
Accounts Receivable		
Customers' Accounts.....	\$3,583,123.25	\$2,966,453.90
Less: Dealers' Contingent Equities.....	733,758.78	506,906.20
	<u>\$2,849,364.47</u>	<u>\$2,459,547.70</u>
Less: Reserve for Possible Losses.....	350,414.73	252,536.20
	<u>2,498,949.74</u>	<u>2,207,011.50</u>
Inventories (Less Intercompany Profit).....	3,752,524.48	4,889,096.65
Total Current Assets.....	\$ 9,461,758.57	\$7,470,405.13
Plant and Equipment		
Real Estate and Buildings.....	\$1,739,037.76	\$1,612,123.97
Machinery and Equipment.....	2,003,515.15	1,976,396.51
	<u>\$3,742,552.91</u>	<u>\$3,588,520.48</u>
Less: Reserve for Depreciation.....	1,669,346.57	1,372,073.12
	<u>2,073,206.34</u>	<u>2,216,447.36</u>
Other Assets.....	77,742.58	76,864.34
Deferred Charges to Future Operations.....	15,130.52	29,874.05
Total Assets.....	<u>\$11,627,838.01</u>	<u>\$9,793,590.88</u>

ary THE BALDWIN PIANO COMPANY

ATED BALANCE SHEETS

and December 31, 1948

LIABILITIES AND CAPITAL	December 31, 1949	December 31, 1948
Notes Payable.....	\$ 0.00	\$ 800,000.00
Accounts Payable.....	723,565.47	734,042.85
Accrued Expenses.....	218,055.23	190,011.18
Accrued Federal Income Tax.....	585,000.00	926,600.00
Total Current Liabilities.....	\$ 1,526,620.70	\$2,650,654.03
Note Payable (Payable \$200,000.00 annually, beginning December 20, 1951).....	2,600,000.00	0.00
Total Liabilities.....	\$ 4,126,620.70	\$2,650,654.03
Reserves		
For Baldwin Supplemental Pension Plan.....	31,300.66	0.00
For Inventory Fluctuations.....	1,629,698.89	1,629,698.89
For Research and Development.....	400,000.00	300,000.00
For Contingencies.....	1,129,997.44	1,127,197.23
Capital Stock and Surplus		
Capital Stock:		
6% Cumulative Preferred Stock Authorized 1901-1903, Authorized and Issued 2,327 Shares, Par Value \$100.00 Per Share, Less 714 Shares in Treasury.....	161,300.00	161,300.00
Cumulative Preferred Stock Authorized 1924, Authorized 60,000 Shares, Par Value \$100.00 Per Share.....	0.00	0.00
Common Stock, Par Value \$8.00 Per Share, Authorized 500,000 Shares, Issued 133,786.6 Shares.....	1,070,292.80	1,070,292.80
Surplus:		
Capital.....	\$ 130,316.37	\$ 130,316.37
Earned.....	2,948,311.15	2,724,131.56
Total Liabilities and Capital.....	\$11,627,838.01	\$9,793,590.88

CONSOLIDATED STATEMENTS OF INCOME AND SURPLUS ACCOUNTS

Years Ended December 31, 1949 and December 31, 1948

Income and Earned Surplus:

	1949	1948
Profit for Year Ended December 31, Before Deducting Federal Income Taxes....	\$1,349,464.14	\$2,207,866.43
Less Estimated Federal Income Taxes.....	576,000.00	926,600.00
Profit Before Deducting Special Reserves.....	<u>\$ 773,464.14</u>	<u>\$1,281,266.43</u>
Less:		
Appropriation of Profit for Additional Depreciation on Plant No. 2.....	\$ 200,000.00	\$ 0.00
Appropriation of Profit for Reserve for Research and Development.....	100,000.00	100,000.00
Appropriation of Profit for Reserve for Inventory Fluctuation.....	0.00	638,852.20
	<u>\$ 300,000.00</u>	<u>\$ 738,852.20</u>
Profit for the Year Carried to Surplus.....	\$ 473,464.14	\$ 542,414.23
Balance, Earned Surplus, Beginning of Year.....	2,724,131.56	2,388,759.58
Add Adjustment of Prior Years' Federal Income Taxes.....	16,192.95	30,066.85
	<u>\$3,213,788.65</u>	<u>\$2,961,240.66</u>
Less:		
Dividends Paid on Preferred Stock.....	\$ 9,678.00	\$ 9,678.00
Dividends Paid on Common Stock.....	227,431.00	227,431.10
Additional Federal Excise Taxes Paid for Prior Years.....	28,368.50	0.00
	<u>\$ 265,477.50</u>	<u>\$ 237,109.10</u>
Balance, Earned Surplus, End of Year.....	<u><u>\$2,948,311.15</u></u>	<u><u>\$2,724,131.56</u></u>

Capital Surplus:

Balance, December 31 (No Change During Year).....	<u><u>\$ 130,316.37</u></u>	<u><u>\$ 130,316.37</u></u>
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AUDITORS' CERTIFICATE

*To the Board of Directors and Stockholders,
of The Baldwin Company:*

We have examined the balance sheet of THE BALDWIN COMPANY consolidated with its subsidiary company as of December 31, 1949, and related consolidated statement of income and surplus accounts for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and surplus accounts present fairly the consolidated financial position of THE BALDWIN COMPANY and its subsidiary at December 31, 1949, and the result of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Comparative figures for the year ended December 31, 1948, have been taken from our report for that year.

MURPHY, LANIER & QUINN,
Public Accountants

CINCINNATI, OHIO

March 22, 1950

PRINCIPAL SELLING
OFFICES

Cincinnati
Denver
Pittsburgh
Los Angeles

New York
Louisville
Chicago

Boston
St. Louis
Kansas City
San Francisco

EXPORT OFFICES

New York

Cincinnati

San Francisco

PRODUCTS

BALDWIN

Grand Pianos

Electronic Organs

HAMILTON

Grand and Upright Pianos

HOWARD

Grand and Upright Pianos

ACROSONIC

Spinet-Upright Pianos